



CITY OF LONG BEACH

Business Improvement Districts in the City of Long Beach



Organization,

Benefits and

Formation



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Section 1

Introduction

Local Policy Input and Access to Resources

The Solution

Urban flight was a problem just beginning in 1965 as California, Los Angeles in particular, was pioneering suburban living communities and drawing people away from traditional urban business centers.

Dramatic societal changes also were underway in the late 1960's and early 1970's. Government's ability to cope with these changes led to citizen frustration over difficulty directing limited resources to the local level. Equally as challenging was matching those resources to local needs and priorities as communities and business districts changed.

An important part of California's solution to these problems was to allow assessment areas to be formed that could direct funds to local needs. Assembly Bill 103, Parking and Business Improvement Area Business Law, passed in 1965 authorizing formation of parking and business improvement districts and collection of fees for certain improvements.

During the 1970's, property taxes became an important source of revenue to fund growing communities. But, in 1978 Proposition 13 was passed strictly limiting property tax increases. This put further pressure on communities to find other ways to pay for needed improvements and led to increased use of business improvement districts.

Today, business improvement district fees help to fund board-approved business-related activities and improvements that benefit the businesses. Activities, programs and improvements range from street fairs to business promotions to installing street lighting and cleaning sidewalks. By pooling private resources, business owners in BIDs collectively pay for activities they could not afford on an individual basis. Today there are hundreds of BIDs in the state, five of which are located in Long Beach.

Limitations of This Report

This document discusses benefit assessments, which impose a self-assessment, not a tax, on business or property owners. This document is not a legal, regulatory or guidance document. It is provided as background information on Business Improvement Districts (BIDs) in general and to help those considering forming a district in Long Beach. Laws change, interpretations change and every Business Improvement District is subject to the approval of the business or property owners in the proposed district. In addition, the City Council can and does impose limitations or requirements beyond the governing legislation.

Section 2

Business Improvement District Laws

The Long and Winding Road

Long Beach's current business assessment districts grew out of the 1943 Vehicle Parking District Law and 1965 California State Assembly Bill 103, Parking and Business Improvement Area Law. These laws allowed parking assessment districts to be formed in order to fund parking improvements for the rapidly multiplying automobile. They have been amended and added to over the years in response to new legal requirements and community needs.

In 1979 the Parking and Business Improvement Area Law (PBIA) was passed broadening the purpose of the organization to include promotions and certain business area improvements.

In 1989, the PBIA law was further revised to better define acceptable uses and to exclude special assessment districts from Proposition 13 limitations and voting requirements.

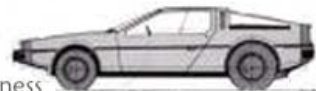
In 1994 a new law was passed modeled after the 1989 PBIA Law. Instead of assessing businesses, the Property and Business Improvement District Law of 1994 assessed property owners. The allowed uses of funds was changed. The name incorporated the term "property" reflecting assessment of property owners within a defined district.

Additional information on business improvement districts within the City of Long Beach is provided in Section 4.

The remainder of this document discusses the formation and operation of BIDs under current law. BIDs formed under previous laws may have differing organizational or operational requirements.



1943 Vehicle Parking District Law



1979 Parking and Business Improvement Area Law



1989 Parking and Business Improvement Area Law



1994 Property and Business Improvement District Law

Benefits and Restrictions

Public Dollars and Benefits

Business Improvement Districts (BIDs) offer the chance for local businesses to join together and assess themselves money for agreed upon improvements in the business district. Based on the type of assessment district, collection methods and organization will vary.

Business improvement areas fall into two broad types based on funding source. They are:

- PBIA - The 1989 Parking and Business Improvement Area Law specifically authorizes business assessments by cities through an annual levy (e.g., **business license assessment**).
- PBID - The 1994 Property and Business Improvement District Law lays out a similar process for **property owner assessment** within a defined district.

The key difference between the two laws is in the word “property” versus “parking”. This difference is critical but frequently overlooked. Failure to distinguish clearly between the two types of BIDs results in considerable confusion in a casual discussion of the issue.

It is important to remember that the laws define specific implementation of two types of Special Assessment Districts. For the purposes of the discussion in this report, the general term for assessment districts covered by both laws will be **Business Improvement Districts (BID)**. *A business license assessment district is referred to as a **PBIA**. A property-based assessment district will be referred to as a **PBID**.*

Most simply put, BIDs work like this:

1. Business or property owners determine their own assessment boundaries and assessment amount.
2. The self-assessment amount is collected by the City through routine business license or property tax payments.
3. The full amount of the self-assessment is paid directly to the managing association for use in the district. Regular payments are made throughout the year.

Property and Business Improvement Districts (PBIDs)

PBIDs formed under the 1994 law are property-based assessment districts with property owners paying an assessment through the local property tax collecting agency. In Long Beach this agency is Los Angeles County. Funds collected under this law are returned to the City and dispersed to the BIDs management entity. These monies may be spent on approved, budgeted improvements and activities within the district.

Improvements under the PBID law include acquisition, installation and maintenance of tangible property including:

- Parking facilities
- Planting areas
- Benches, booths, kiosks, shelters and signs
- Closing, opening, widening or narrowing of existing streets
- Lighting and heating facilities
- Facilities or equipment to enhance security
- Decorations
- Ramps, sidewalks and plazas
- Park fountains
- Rehabilitation or removal of existing structures

Activities allowed under the PBID law include:

- Promotion of public events
- Retail retention and recruitment
- Furnishing of music in any public place in the area
- Supplemental security
- Promotion of tourism
- Sanitation, graffiti removal
- Economic development
- Street and sidewalk cleaning
- Other beneficial activities

Property and Business Improvement Areas (PBIA's)

PBIA's formed under the 1989 law are business-based assessments. Business owners (i.e., not necessarily property owners) pay the assessment to the local city or county. These funds are then returned to the PBIA management entity for use on improvements or activities.

Improvements allowed by the PBIA law are:

- Parking facilities
- Street lighting
- Benches
- Fountains
- Trash receptacles
- Parks
- Decorations

Activities allowed by the PBIA law are:

- Promotion of public events
- Furnishing of public music
- Promotion of tourism
- Activities which benefit businesses located and operating in the area

Section 4

Long Beach Business Improvement Districts

Real Improvement

Five BIDs have been formed in Long Beach since 1973. The first was an early version of the Belmont Shore Parking and Business Improvement Area. The most recent is the Magnolia Industrial Group. Begun in 1994, it's goal was to use property owner assessments to improve security and cleanliness in this industrial area just northwest of downtown.

District	Type	Number of Businesses	Annual Assessment
Belmont Shore	PBIA	240 Business Owners	\$ 75,000
Bixby Knolls	PBIA	800 Business Owners	\$ 125,000
Magnolia Industrial Group	PBID	100 Property Owners	\$ 75,000
Downtown Long Beach	PBIA and PBID	1200 Property & Business Owners	\$1,600,000

Each of the five Long Beach business assessment districts are discussed briefly below. Note that an area may have both a PBID and a PBIA as is the case for downtown Long Beach.

Belmont Shore Parking and Business Improvement Area

The Belmont Shore BID is funded by a PBIA assessment collected through the City's business license billing. The Belmont Shore Business Association, under contract to the City of Long Beach, manages the district.

Approximately 240 businesses are included in the district generating a total annual assessment of \$75,000. Approximately \$100,000 additional income is generated from sponsorships and events each year for a total annual budget close to \$175,000.

The 2002 assessment structure is shown below.

Business Type	Annual Assessment Fee
Financial, Banks	\$548.74 + \$5.50 per employee
Retail/Manufacturing	\$365.82 + \$5.50 per employee*
Insurance	\$212.90 + \$11.00 per employee
Other **	\$212.90 + \$11.00 per employee*

* Up to 40 employees.

** Includes contractors, professionals, recreation, entertainment, services, vending, wholesale, and unique business classifications.

Assessments are collected year-round along with business license payments, and are paid bi-monthly to the Belmont Shore Business Association. Expenditures are limited by the contract to marketing and promotions activities.

Examples of budgeted management plan expenses are the annual Stroll and Savor the Shore, Christmas Parade and Car Show.

Bixby Knolls Parking and Business Improvement Area

The Bixby Knolls BID is a PBIA assessment collected through the City's business license billing. The Bixby Knolls Business Association, under contract to the City of Long Beach, manages the district.

Approximately 800 businesses are included in the district generating a total annual assessment of \$125,000. Approximately \$100,000 additional income is generated from sponsorships and events each year for a total annual budget close to \$175,000.

The 2002 assessment structure is shown below.

Business Type	Annual Assessment Fee
Financial Institutions	\$500
Retailing, Recreation & Entertainment	\$185 + \$4.00 per employee
Services and Vending	\$165 + \$3.25 per employee
Other **	\$135 + \$2.50 per employee

* Up to 40 employees.

** Includes insurance, contractors, professionals, insurance, wholesale, and unique business classifications.

Assessments are collected year-round and paid bi-monthly to the management association. Expenditures are limited to marketing and promotions. The Bixby Knolls Business Association under contract to the City of Long Beach manages the district.

Examples of budgeted management plan expenses are the annual Snow in Bixby Knolls, Business Expo and Street Fair.

Magnolia Industrial Group Parking and Business Improvement District

Magnolia Industrial assessment collected through the county's property tax billing. The Magnolia Industrial Group, under contract to the City of Long Beach, manages the district.

Approximately 100 properties are included in the district generating a total annual assessment of \$75,000. The 2002 assessment structure is shown below.

Property Type	Assessment Fee
Under 810 ft ²	\$ 0
Zone 1 – Under 20,000 ft ²	\$ 600 per year
Zone 2 – Over 20,000 ft ²	\$ 600 + .0009 per sq ft over 20,000 ft ² up to a maximum of \$100 per month

Assessments are collected year-round and paid three times each year to the management association. Expenditures are primarily focused on safety and cleanliness in this almost exclusively industrial area. The Magnolia Industrial Group manages the district under contract to the City of Long Beach.

Downtown Long Beach Parking and Business Improvement Area

Downtown Long Beach has both a PBIA and PBID such that both property owners and business owners contribute to the district. The areas overlap but are not exactly the same. Downtown Long Beach Associates manages the districts under a single organization and board of directors.

A total annual assessment of \$1,600,000 is collected from the approximately 1200 business and property owners in the districts.

The assessment rate structure for these overlapping areas is considerably more complex so they are not discussed in detail here.



Section 5

Forming a Business Assessment District

Where to Start?

If you are a businessperson with a vision that includes better lighting, cleaner streets, more customers and more successful businesses, a Business Improvement District starts with you. If you are city staff working with businesses or business associations, it can also start with you by connecting businesses with City of Long Beach resources.

All it takes to start a business association is someone to begin looking for another interested businessperson and to tap the services available through the City of Long Beach Business Development Center. As Goethe put it:

"Concerning all acts of initiative (and creation), there is one elementary truth that ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, then Providence moves too. All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision, raising in one's favor all manner of unforeseen incidents and meetings and material assistance, which no man could have dreamed would have come his way. Whatever you can do, or dream you can do, begin it. Boldness has genius, power, and magic in it. Begin it now."

Unless a beginning is made, it is impossible to know if a BID might be appropriate in a specific area. And, even with someone willing to make a start, the process will be long and challenging, but, from the examples above, well worth the effort.

Why form a Business Improvement District

The following reasons for forming a business district were provided by Main Street Group, a Long Beach BID consulting company.

1) To reverse a negative image.

Many urban areas are burdened with an image of being unsafe, unclean, and generally run down. Sometimes this reputation is well deserved and sometimes it is a perception—a holdover from an earlier time. An area's overall image affects the individual businesses located in and around the area. A District can provide effective tools, such as maintenance and security programs to help dispel a negative image by changing existing conditions of blight and crime. A district can provide unified marketing programs to communicate the positive changes in the District, effectively eliminating old perceptions.

2) To attract new businesses and investment.

Many urban areas and other commercial districts continue to experience a high rate of vacancies and decrease in investment. A cleaner, safer, and more vibrant District will accelerate efforts to attract new businesses and investment back into the District. A Management District can provide results-oriented business retention and recruitment programs.

3) To establish private-sector control and accountability.

An advisory board consisting of downtown property and business owners manages the District. This board may be the board for the management entity. Annual management district work plans and budgets are developed by the advisory board, ensuring that the District will be accountable to those who pay the assessment. Security, maintenance, and marketing programs are subject to private-sector performance standards and controls.

4) To create a unified voice for the District.

A Management District will provide the foundation for developing a viable and unified private-sector voice for the District. For most downtown areas and commercial districts, business interests are fragmented among a diversity of groups and individuals. One unified management entity, with reliable resources, increases a District's clout and ability to work effectively with the local government and other civic and social organizations in the community.

Which is best - PBIA or PBID?

It depends.

More importantly, it may not be necessary to choose. There is nothing that prohibits two overlapping districts being formed. Downtown Long Beach has both a PBID and a PBIA within the same geographic area.

As discussed in Section 3, PBIDs place assessments on property owners while PBIAs assess business owners. Having both usually means the district has access to more funds. It also means all commercial entities that benefit from improvements in the district contribute to funding the improvements.

When business owners contribute to a BID under a PBIA, there is a clear benefit from the services and activities designed to improve business in the area. Property owners, however, also benefit through increased occupancy and rent revenue.

Property owner assessment alone through a PBID has the opposite effect. Property owners benefit, but so do the business owners who don't contribute.

As unfair as it may sound on the surface most BIDs have a single assessment of either businesses or property owners. This is because it can be difficult to find the leadership and consensus needed to approve (typically, by a simple majority of 50% plus one) an assessment district. The legal steps and hurdles to forming a BID are detailed in the next paragraphs.

Forming a Business Improvement District

The process to form both types of districts is similar, but certain specific requirements vary between PBIAs and PBIDs. The City of Long Beach and its consultants ensure all legal requirements are met during the formation process. Listed below are the major considerations for those considering if and how to form a BID. Additional detail is provided under the following subheading, "Detailed Steps to Forming a BID"

Organization

A core organization must be formed to begin the BID formation process. This will mean at least two or three business or property owners willing to propose a district area, coordinate City of Long Beach resources and communicate the benefits to the business owners in the proposed district. This process is easiest where a business association already exists.

Even if a business association is not in existence, the formation process can begin. A non-profit business association must also be started, however. After review and approval by the city, this organization and its volunteer board will manage the BID under contract with the City of Long Beach.

A Three-Step Process

The basic steps to form a BID are:

- 1) Prepare a Management Plan identifying the type of district and its geographic boundaries, assessment fees, beneficial activities and budget.
- 2) Submit the Management Plan to the City Council for scheduling of a public hearing on the formation. (For a PBID, a petition signed by at least 50% of the members of the district must be submitted with the Management Plan).
- 3) Approval of at least 50% of the businesses or property owners is required. For PBIAs, approval would be denied if more than 50% of the businesses protest at the public hearing. For PBIDs, approval would be denied if the results of a Prop 218 ballot indicated that owners of properties representing over 50% of the assessment value object to district formation. Otherwise, the district will be approved with any additional changes made by the City Council. (Note, that large businesses and property owners are given greater weight by the state law. since the voting is measured not by one owner – one vote, but by weighted percent of assessment paid)

The Management Plan

The Management Plan must include the following information:

- District Name
- Geographic area included in the district
- Types of businesses or properties to be assessed
- Beneficial needs and purposes of the assessment
- Term for the BID
- Method of calculation and total of the annual assessment
- A list of businesses or properties in the district
- Any other information requested by the City Council

Detailed Process for Forming a BID

The process to form a PBID takes from 9-12 months. City staff assists with the entire process, which consists of the following steps:

- 1) Creating the PBID Formation Infrastructure
 - Property or Business Owners Support Committee
 - City Resource Team – ED Staff
 - Database Development
- 2) Consensus Building/Education
 - Property and Business Owner Focus Groups
 - Informational Meetings
 - Communications and Outreach
- 3) Management Plan Development
 - Improvements and activities—what will you do?
 - Budget—what will it cost?
 - Assessment Methodology—cost to individual properties.
 - Engineering Review of Assessment/Benefit Analysis—is it equitable?
 - Governance—who's in charge?

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- 4) Plan Review/Consensus
 - Plan Review Workshops
 - Leadership Consensus
 - Legal Review—compliance with City and State law
 - Final Plan and Assessment Methodology
 - 5) Petition Campaign
 - Property Owner Sales Committee Assignments
 - Communications Materials
 - Petition Preparation and Distribution
 - Collecting Signed Petitions
 - 6) City Council Hearings/Ratification
 - Public Hearings
 - 218 Ballot Process
 - 7) Contract for implementation of plan between City and Non-Profit Management Organization.
 - 8) Submit Assessments to County Assessor or collecting agency

Assessment Calculations

An appropriate assessment amount is very difficult to estimate by looking around a business district. A number of complex factors affect calculation of the assessment. The City, working with its consultants and the business district, will incorporate the major factors described below into an assessment calculation for submission with the Management Plan to the district for approval.

Commercial entities included or excluded is important to perceived fairness and community approval of the district. For example, some districts exclude community non-profit corporations.

Desired services within the district will also affect the calculation. The primary beneficiaries for the services will suggest those who might be most willing to approve their participation in the assessment district. For example, a district with the objective of marketing and promoting the retail business district might have a hard time gaining the support of nearby industrial property owners for a proposed PBID.

Establishing benefit zones within an assessment district is also a useful option in tailoring funding to the value perceived by the assessment members. The downtown Long Beach assessment district is divided into five zones, with each zone receiving varying levels of service and support.

Section 4 details the assessment calculation method for three of the City's assessment districts. City staff and consultants will work with new BIDs to develop a rate and method of calculation providing the necessary funding and services.

Assistance

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